

APPROVED BY THE COUNCIL AT 10/15/08 MEETING

ECONOMIC DEVELOPMENT ADVISORY COUNCIL (EDAC) MEETING

JUNE 19, 2008

STATE CAPITAL BUILDING - ROOM 172

HELENA, MT

COUNCIL MEMBERS PRESENT:

Evan Barrett, Chair
Jim Atchison
Kathy Bailey
Senator Jerry Black
Jim Lee
Corlene Martin
Elizabeth Marchi
Anthony Preite

Tony Rudbach
Richard Sangray
Jim Smitham
Senator Trudi Schmidt
Paul Tuss
Linda Twitchell
Representative Dan Villa

COUNCIL MEMBERS ABSENT:

Sheila Hogan
Representative Roger Koopman

Joe Menicucci
Estelle Tafoya

DEPARTMENT STAFF PRESENT:

Betsy Baumgart
Mark Bisom
Ann Desch
Lesa Evers
Gail Gallik
Nancy Guccione
Sten Iversen
Susan Jensen

Carolyn Jones
Gary Morehouse
Angie Nelson
Quinn Ness
Andy Poole
Marty Tuttle
Janice Wannebo
Fran Viereck

GUESTS:

Dan Bernhardt, State Workforce Investment Board
Ingrid Childress, Administrator, Workforce Service Division, Department of Labor
Emorie Davis Bird, Blackfeet Tribe, Browning
Shannon Harris, Executive Director, Sweetgrass Development, Cut Bank
Jim Lewis, Director of Truckload Operations, Watkins & Shepard Trucking, Inc.,
Missoula
Terry Myhre, Executive Director, Montana Business Assistance Connection, Helena
Heather Sobrepena-George, Administrative Officer, State-Tribal Economic
Development Commission
Gary Wright, Bureau Chief, Statewide Workforce Programs Bureau, Department of
Labor & Industry

Chairman Barrett called the meeting to order at 10:03 a.m. verifying a quorum of the Council was present. Council and audience introductions followed. Senator Black stated he would only be able to stay at this meeting until noon due to the Montana Republican Convention in Missoula today.

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Chairman Barrett mentioned, for the benefit of the audience, this council consists of 12 members appointed by the Governor who represent 12 regions of the state which the same regions that are used to identify the Certified Regional Development Corporations (CRDCs). Some members of the EDAC are from CRDCs and others are not, but all are from the CRDC regions. In addition, the Chief Business Development Officer from the Governor's Office of Economic Development and the Director of the Department of Commerce are automatically on the EDAC along with four (4) Legislators -- one from each party from each house, selected by their respective party leaders.

APPROVAL OF MINUTES

Chairman Barrett indicated that Council members previously received a draft of the minutes from the March 5, 2008 Economic Development Advisory Council meeting for review prior to this meeting. Chairman Barrett asked if anyone had additions or deletions they would like to suggest? With no changes from the Council members, Chairman Barrett asked for a motion to accept the minutes as submitted. **BAILEY MOVED TO APPROVE. RUDBACH SECONDS THE MOTION. MOTION PASSED UNANIMOUSLY.**

GOVERNOR'S ECONOMIC DEVELOPMENT INITIATIVES

Chairman Barrett and Commerce Director Preite began the meeting with an overview of economic development from the perspective of the Administration. Director Preite reported that relative to Montana and economic development things have been hectic since the last time this Council met. Luckily, Montana has not felt the "brunt" of the impact from the on-going recession the rest of the country has been facing which is due, in large part to, the actions of this Administration and the Legislative passage of the programs necessary to carry on meaningful economic development. Director Preite stressed the importance of continuing the programs that are currently in affect. Today's agenda, which focuses on economic development programs funded with one-time-only (OTO) funds, is not designed to discuss the specific amounts appropriated to the programs but rather how each program affects the economy and people of Montana.

Chairman Barrett touched on the highlights of recent meetings the Governor's Office of Economic Development has had with the **Local Development Organizations (LDOs) and Certified Regional Development Corporations (CRDCs)** throughout Montana. He indicated that the Schweitzer Administration is committed to strong partnerships with LDOs and CRDCs. Economic development requires a strong, local presence along with good programs. The Governor's Office of Economic Development gains terrific insight when they travel and meet with the development organizations around the state.

Chairman Barrett reported that Montana's economy is strong compared to the nation's economy. This economic strength is sustained by the effort of everyone who implemented the programs currently in place and by the proper use of incentives and other economic development tools. In addition, there are macro- economic forces beyond Montana that make a difference in Montana's growth.

Montana was ranked 6th in the nation last year in growth based on gross state product. Over the previous three (3) years Montana ranked 7th in the nation in growth rate. Montana continues to be one of the fastest growing states in the nation. The majority of

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the growth is “inside the boot.”. That being said, this Administration’s mission in economic development is to make sure the entire state advances economically, not just portions of the state. Montana’s unemployment statistics continue to be good; from a record 4.0% annual average in 2004 down to 3.1% in 2007. Montana ranks as 9th best in combined state/local tax burden. Montana ranks #6 in terms of business tax climate (according to the Tax Foundation) and *Business Facility* magazine ranks Montana #1 on being friendly to businesses for 2007.

Job creation has been at record pace. Since Governor Schweitzer has come into office, Montana has seen the creation of over 50,000 jobs with record high salaries. In the 1950’s Montana ranked #10 in terms of salaries (when the Anaconda Company was so dominant in the state). By the late 1990’s Montana had slipped to 51st. We have been coming back from that sorry statistic. Our per capita income is approximately 40th currently and our average salaries in the 40’s but we still have a long ways to go in terms of quality jobs.

Governor Schweitzer has asked the Governor’s Office of Economic Development and the various State Department’s to deliver a four (4) point economic development agenda: #1-to diversify Montana’s economy; #2-create more jobs, #3 – make those jobs higher quality with better salaries and health care benefits, and #4-to geographically distribute the job growth across the entire state, both inside and outside the boot and in Indian Country.

Montana’s economy is currently stimulated by high resource, commodity and energy prices, In addition, Montana’s tourism industry has sustained itself although we are “knocking on wood” regarding this summer’s vacation season. The technology and Knowledge-based economy is also strong, particularly around the research universities. The secret asset for Montana is that the state is an attractive place to live, run a business, and raise a family, which helps draw economic activity.

GOVERNOR’S ECONOMIC DEVELOPMENT INIATIVES

Chairman Barrett reported that energy development is in the forefront.

- The McCormick Ranch Wind Farm is underway with the official ground breaking ceremony on July 17, 2008 with the international CEO of NaturEner, the American NaturEner Representative and Governor Schweitzer all scheduled to appear. This will be Montana’s largest wind farm located in Glacier and Toole counties. This project is owned by NaturEner USA, whose global headquarters are located in Spain. The facility will employ 15 to 20 people long-term and is scheduled for completion in November 2008 costing around \$400 million.
- Last month, Northwestern Energy announced plans to build a \$200 million natural gas regulating plant near Anaconda.
- The **M**ountain **S**tates **T**ransmission **I**ntertie (MSTI) line has chosen the southern route into the Millcreek substation from the Townsend substation.
- The Montgomery Energy Partners is a Houston-based energy development company that builds and manages power plants throughout the country and the world has announced a \$100 million add on to the plant. Its primary objective is to provide energy products to the grid. The gas-fired, combined cycle project is

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now called the Great Falls Energy Center. The Center is also designed to incorporate more than 2,000 megawatts of wind power generation.

- The **Montana Alberta Tie Line (MATL)** is a privately funded or “merchant” transmission line between Lethbridge and Great Falls. Once completed, it will move 600 megawatts of combined power north and south, combined with the 210-megawatts in the current Glacier Wind farm project is a combined 500% increase in the amount of commercial wind power in Montana.
- **Southern Montana Electric (SME)** Generation & Transmission Cooperative in Great Falls is permitted, but has been legally challenges. It continues with the permitting process for air quality and other environmental permits and licenses from the US Department of Energy (along with the Montana Department of Environmental Quality).
- The Otter Creek Coal property, which is the State of Montana’s coal in Powder River County of southwestern Montana, if developed will most likely require the use of the Tongue River Railroad. The State Land Board has ordered the **Department of Natural Resources & Conservation (DNRC)** staff to move forward in developing a lease package for a competitive bid and DNRC is preparing a statutorily required appraisal of the State’s Otter Creek coal resource’s to determine fair market value. The appraisal will provide the financial information necessary to determine the minimum bid terms that achieve fair market value for the common school trust. They anticipate the bid process to be completed by the 1st quarter of 2009.
- Chairman Barrett also reported that Rio Tinto’s mine expansion at the Spring Creek Mine near Decker is moving forward.
- Bull Mountain Mine has a new buyer, and has received approval on its expansion, paid-off their bad debt and have placed \$10 million in earnest money to purchase the longest long-wall mining unit to be purchased in the U.S. Once due diligence is complete, the deal is expected to close by mid-July. Initial construction will entail a railroad spur from Broadview to the Bull Mountain site.
- The Nelson Creek project near Circle has modified their business plans because of the chaotic electric market. They were modified from a coal gasification electrical plant to a coal to synthetic gas plant.

Coal incentives and carbon sequestration issues are currently being discussed in Washington, DC. Montanan’s Congressional Representatives are pushing for the production tax credit for renewable energy which should unleash capital into the wind power markets in Montana.

Senator Black clarified that the McCormick Wind Farm Ranch has been renamed to the Glacier Wind Farm and NaturEner has announced that they have sold all the power to San Diego Power and Light which is very good news. Barrett indicated that the “big target” for our “green energy” is California which has a need of 16,000 megawatts of “green power” by 2020 to meet their renewable portfolio standard. Senator Black indicated the tax impact for the current wind farm being constructed in Toole County consisting of 70 generators will contribute \$1 million in the Toole County tax base which is a 50% increase. County residents do expect to see their taxes lower because of it.

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Liz Marchi requested a report outlining the total impact these projects will create for Montana.

Barrett added that TransCanada is putting a 36" crude oil pipeline through six (6) counties in eastern Montana which is a \$700 million project within the boundaries of Montana that will generate \$50-\$60 million of property taxes to be collected in those counties.

Chairman Barrett also mentioned the Bakken Oil Formation that extends into eastern Montana from North Dakota and Saskatchewan. The Bakken Formation is currently the largest oil reserve in the 48 states. With the announcement of the 4 billion barrels of Bakken Oil available we are going to see significant additional development. Barrett indicated the Governor's Office of Economic Development has spoken with communities along the highline and northeast Montana to determine if they have an interest in refining oil. The time has come in America to do refining within its own borders again. It has been 30 years since a new refinery was built.

Chairman Barrett stressed the big advantages to these projects are significant construction impacts with jobs, significant tax base enhancements which benefits everyone and long-term jobs which increases Montanan's income.

2009 ECONOMIC DEVELOPMENT LEGISLATIVE ISSUES

Barrett stated that during this meeting the Council will hear about ~~one-time~~ only (OTO) programs that are required to come back each Legislature for funding. The actual statutory authorization to continue the program also has to be re-enacted. Director Preite added that the tax incentives that Chairman Barrett mentioned earlier may not in themselves get the job done of moving Montana up in the national ranks. The following programs, along with the ones mentioned during the last Council meeting, are also extremely important to Montana's economy. Andy Poole stated that each of the programs discussed today was enacted two Legislative sessions ago.

New Worker Training Grant Program

Poole distributed two reports on the New Worker Training Program. The first report entitled *New Worker Training Grants - Cost/Benefit & Project Summaries dated April 2008* compiles projects from FY 2005 to current. The second report entitled *New Worker Training Grants WTG dated May 2008* is an executive summary highlighting the economic benefit of the new worker training grants. Poole also distributed a report describing each company that received the funds from the program.

Poole's PowerPoint presentation outlined the program's accomplishments which receives \$4 million per year and is an OTO program scheduled to sunset on June 30, 2009. \$2.8 million was available in the last biennium and \$8 million is available in the current biennium. During the first year of this biennium the majority of the funds were already committed. Since July 2005, they have awarded \$7.9 million of the \$8 million which is under contract to 18 companies training 2,277 Montana workers in new jobs creating \$92.3 million in new payroll. Seven of the 18 companies are partnering with Montana High Education and/or College of Technology's. Poole reported this program already has \$3.8 million of new income tax revenue into Montana and the cost of the

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program (since 2005) of \$7.9 million has already more than doubled the tax revenue to the state of Montana.

Poole introduced Jim Lewis, Dispatch Manager, Watkins & Shepard Trucking, Inc., Missoula who also serves on the Trucking Industry's Emergency Response Council. Lewis spoke about what the program has done for their business since they received the grant in October 2007. The business is a national truckload carrier with 14 terminals in 20 states. They service all 48 states in the western province of Canada and employee currently employ 328 employees in Montana with terminals are located in Billings, Helena and Missoula. In Missoula, they offer one of the few truck driving schools in Montana which is where the WTG funds were utilized. Lewis distributed a Montana State Grant Fact Facts sheet showing what the award has accomplished and the concerns and recommendations they have regarding the program. With the grant funds they were able to train 45 new drivers in which 28 of the grant recipients are living in high unemployment counties and they currently have 35 grant recipients gainfully employed at Watkins & Shepard Trucking, Inc. Their concerns are the regulations do not allow them to offer grant money based on the number of employees who live in Montana. Due to the grant they have added 45 trucking driving jobs in Montana but can not receive more training funds until they show continued job growth. They currently have a waiting list of applicants that want to attend the truck driving school but they can not afford the tuition on their own. Council members asked Lewis if they will be able to stay in business with the price of diesel. Lewis replied that since they are a diversified carrier they have sustained growth and should do ok.

Senator Black asked for clarification as to whether the grant continuation is based on the number of new employee they add and what percent is required? Lewis indicated they just have to show continued growth as they add employees. Watkins & Shepard has 23 open trucks but do not have enough drivers. The students can not afford the full tuition for the training without the grant money. Tuition and other costs average \$5,000 for the 30 day course. Lewis believes this is a great partnership between the State of Montana and the Trucking Industry. Rudbach asked if the "catch 22" is statutory or can it be changed. Poole reported the statute that we are currently operating under requires the funding be used for "net new jobs" over the employment base of the company as a way to prove that the tax revenues invested in training were coming back in the form of new taxes.

Chairman Barrett reported that this Administration has been discussing increasing the amount of appropriation request for the next legislature based upon the success of the program. Director Preite added it is critical to provide a well-rounded economic assistance program. We are fighting to keep these companies in Montana. Senator Black asked about employment tests and Lewis indicated they (trucking company employees) have to pass a pre-employment drug and alcohol screening and once employed they are subject to the Department of Transportation regulations.

Marchi was very impressed with the Workforce Training report distributed earlier this year and believes the money for this program is the most beneficial money spent by the state because it not only leverages and is an investment in the people of Montana but it also helps the educational institutions be more in-line with the marketplace. Marchi

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wants to hear what this Council can do to support the growth of this program over the next legislative session. Director Preite indicated they are going to present a package to the Governor and hopefully to the Legislature that will enhance the program. Both Senator Schmidt and Senator Black urged Local Development Organizations to contact their local Legislators and let them know the importance of these programs and the impact they have on their local communities.

Poole introduced Nancy Guccione, Program Manager, for Workforce Training Grants/WIRED/WIA Programs.

Indian Country Economic Development Program

Poole distributed a report entitled *Indian Country Economic Development (ICED) Progress Report* that shows all the projects that have been funded in Indian Country over the last three (3) fiscal years. Poole reiterated this is another (OTO) program. The program has been in existence for approximately 4 years with \$500,000 per year in FY 2006 & 2007 and \$800,000 per year in FY 2008 & 2009. The money is intended to support tribal business development projects, work force training projects, entrepreneurial training, feasibility studies and other priority economic development projects in Indian country. A 2004 Poverty in Montana map shows that the counties with 17%-19% and 20% or more of the people living in poverty are counties that also have a reservation. The **State Tribal Economic Development (STED) Commission** attached to the Department of Commerce to recommend how the ICED funds are invested in Indian Country. The funding for this program was divided into two main (2) categories. Category 1 allows each reservation \$70,000 in FY08 & FY09 for tribal businesses. Category 2 is allotted towards statewide priority Indian economic development activities. The STED Commission recommends that it be used for Native American entrepreneurial training and for small entrepreneurial grants to individual Indians starting or expanding a private-sector business. They offered a small entrepreneurial grant (\$7,500) to a private sector small business on each reservation.

Richard Sangrey, tribal representative on this Council, believes the ICED Program could use a "little bump". The Chippewa Cree tribe appreciates the funding they have received for these projects on the Rocky Boy reservation including the **Tourism Infrastructure Investment Program (TIIP)** grants. These grants were used for: building an arbor, new Pow Wow grounds, and RV sites for their annual Pow Wow.

Emorie Davis-Bird, Blackfeet Planning Director, spoke about the ICED funds and what they have done for the Blackfeet. She has served on the STED Commission since 1999. The ICED funds provided match for significant projects that would not have been accomplished without this funds. The Blackfeet tribe is indebted to Governor Schweitzer's "new day" policy in regards to the Montana Native Americans. This administration took into consideration the impacts of Montana's tribes and the state of their economies thereby funding the ICED program. The Blackfeet tribe, Montana's largest tribe, is comprised of approximately 16,000 members with 10,000 living on the reservation. Due to the lack of federal dollars to the Native Americans, the tribes are funding more and more projects therefore, the ICED funds are critical to the economic growth of the reservations. Davis-Bird reported that some of the ICED funds were used as match to train 500 individuals with **Federal Emergency Management Agency**

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(FEMA). The seasonal Native American firefighters, which were employed only part of the season, now work year round for FEMA traveling to various disaster sites. This is only one example of the projects the Blackfeet tribe has funded with the ICED funds. They have many projects that they hope to receive funding in 2009.

Poole introduced Lesa Evers, Program Manager for the Indian Country Economic Development (ICED) program and Heather Sobrepena-George, Administrative Assistant to the STED Commission. [Lesa has, subsequent to the meeting, been hired as Indian economic development specialist in the Governor's Office of Economic Development and Heather has assumed Lesa's previous position.]

Main Street Program

Poole introduced Julie Burk, Program Manager for the Main Street Program and acknowledged this program is another one-time-only program that receives \$100,000 per year from the general fund and was authorized in statute by the 2005 Legislature. It is a program developed by the National Trust for Historic Preservation and has proven to be successful in many other states across the country. It provides technical assistance to communities to help them understand the process to become certified as a main street community. There is a competitive application process to select communities who are interested in pursuing the Main Street Program and becoming certified. There are a number of smaller communities throughout Montana that could benefit from the knowledge and expertise that comes with the Program but the Program is really too small to put together the resources that would allow them to qualify therefore, we created another category called the Affiliated Main Street Program that has been in the works for the last year and a half. Montana's Main Street Communities are: Libby, Polson, Stevensville, Butte, Anaconda, Livingston and Red Lodge. The Affiliated Main Street Communities are: Columbus, Sheridan, West Yellowstone and White Sulphur Springs. The Main Street Program is designed to build on a community's assets with the approach of: organization, promotion, design and economic restructuring. Some of the benefits of participating are improved buildings/facades, new businesses and jobs, expanded tax base, more efficient growth, increased public & private investment, preservation of historic resources, improved downtown and community image and new and improved events to bring fun & foot traffic downtown. As of 2007, the Main Street results were: 106 new jobs, 45 new businesses, public improvement projects of \$3 million, building improvements of \$1.5 million and more than 5,000 hours of volunteer hours.

George Everett, Main Street Uptown Butte Director, explained that their organization consists of 125 small businesses throughout Butte. The main street approach is different in every community but it is mainly a grassroots, volunteer-driven program that draws on the talents and skills of each community. Currently, there are 1,800 Main Street Communities in the nation. Since 1999, Main Street Uptown Butte has spruced up many parts of Butte and has formed many public/private partnerships on various projects. Everett also distributed the National Folk Festival brochure and explained this national event is coming to Butte for the first time ever over the next 3 summers which is very exciting and involves the whole state. The Main Street approach has helped to produce dramatic results in the appearance and vitality of Butte's historic uptown and these results are very apparent. Butte is cleaner and greener with several formerly

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vacant buildings now housing viable businesses. It is well suited for the independent spirit of Montana communities. The program bridges political philosophies by finding common purpose and protection and perpetuation in what is best for all of our communities.

Senator Black asked Everett how Main Street Uptown Butte is funded. Everett explained that Butte has for the uptown an Urban Renewal tax increment district which helps fund the Main Street Uptown Butte program (in the beginning at 95% but currently they are 50% funded from the tax increment district along with donations from sponsors and membership fees).

Montana Marketing Technical Assistance Program (M²TAP)

Poole reported the Montana Marketing Technical Assistance Program which was created through the brainstorming efforts of the Montana Department of Commerce, Montana Manufacturing Extension Center, the Montana Economic Developers Association, and the University System.

Poole introduced Lonie Stimac, Marketing Officer for the Trade & International Relations Bureau within the Department of Commerce, who provided a handout entitled *About the Made in Montana Marketing Initiative* outlining the history and current efforts of the program. The yellow highlighted section on the back page lists the programs the one-time-only affects. The Made In Montana Program was created in 1984 to assist the marketing efforts of Montana residents producing products within the state. That program was then eliminated in 2003 but it was restored by the Governor and Legislature in 2005 expanding its focus to include more Montana businesses (not just light manufacturing) and to assist them in developing and marketing their products not only in Montana but nationally and worldwide. However, in 2005 it was designated a one-time-only program receiving \$70,000 per year. A program consultant works with individual Montana companies in finding new markets and creating marketing strategies for new products. A business-to-business marketing workshop is offered to Montana communities on a "by request" basis. Businesses receive targeted assistance in product, place, price and promotion. In FY 2007, technical assistance was provided to Timberline Tools, Spika Welding, Dr. Down, Candy's Colorland, Neet-Kart and High Country Snack Foods. Training was provided to 115 people attended the business-to-business marketing in Whitefish, Plentywood, Jordan, Circle, Forsyth, Miles City and Broadus.

Atchison, Bailey and Twitchell thanked Stimac for bringing the workshops to rural Montana and Bailey asked if there is a fee associated with the Made In Montana Program? Stimac indicated no.

Sangrey asked if they have worked with the reservations. Stimac indicated she is currently working with the Montana Indian Business Alliance (MIBA) and other organizations that work with Native Americans. Any reservation is welcome to contact the Program to find out what assistance the program has to offer.

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Poole reiterated all of the above programs are fairly main stream, economic development activities that many other states have in terms of structural assistance to businesses that create good jobs. These programs represent money that has gone directly into companies that support Montana workers and their jobs. The Department of Commerce would hope this Council would make recommendations to the Administration to support these programs and ask for their continuance into the future.

Marketing & Recruitment

Chairman Barrett indicated another one-time-only funded program is the marketing and recruitment efforts within the Governor's Office of Economic Development. When the original 2010 programs were created, it contained a \$700,000 biennium appropriation for marketing and recruitment. Approximately 2 years later, the Senate Finance & Claims Committee moved half the money into Growth Thru Agriculture. And then during the Martz administration, in a year when budgets were particularly lean, the administration itself removed the remainder of the funding. When Governor Schweitzer was elected, the budget for marketing and recruitment was \$0. The Schweitzer Administration recommended \$500,000/year for the Office of Economic Development but it was cut to \$300,000/year by the Legislature. The money is spent on: trade show assistance, printing of materials, website development, targeted recruiting, sustain out-of-state recruitment efforts with the Montana Ambassador's and other various programs they operate out of the Governor's Office of Economic Development. Chairman Barrett stated that Governor Schweitzer intends to come back and request the full amount that has been requested the last two sessions.

It is the Governor's intent to fund these valuable programs in the budget that will be submitted in November 2008. As they advance further into the budget process, the question becomes are they one-time-only funded programs or should they be placed in the base funding. The Governor's Office of Economic Development along with the Governor and this Council all understand the effectiveness of these programs. It will ultimately be governed by the Administration and its budget process and the Legislature based upon available funding. It is imperative that successful programs like these be institutionalized and not just remain transitory. Chairman Barrett acknowledged that it is appropriate, if this Council so wishes, to give advice to the Governor and the Administration on the issues of placing these programs into the base. Chairman Barrett acknowledged that historically the demands for state money have been to "medicate, educate and incarcerate." Barrett is throwing in "job create" as a 4th major funding priority.

Chairman Barrett requested that, after lunch, this Council have an open discussion on whether or not to make a recommendation to the Administration, budget office and subsequently to the Legislature on the issue of continuing these programs and whether to put them into the base.

Senator Black left the meeting to attend the Montana Republican Convention in Missoula. Chairman Barrett presented Senator Black with a plaque recognizing the service and time spent on this Council from the Governor, the Department of Commerce and the Governor's Office of Economic Development.

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Following lunch, Chairman Barrett distributed a sample of marketing materials used by the Governor's Office to recruit businesses to Montana: *Open for Business - Business Expansion And Retention* (BEAR) program, *Montana Means Business - A State of Prosperity*, a Montana Environmental Engineering Consortium (MEEC) brochure, *BioScience under the Big Sky* brochure, a magazine entitled *Montana Business & Technology* and a packet entitled *Montana Energy Development Opportunities* containing handouts and brochures on the various energy programs within Montana. These have been useful tools as they market the energy sector of Montana's economy.

Chairman Barrett opened the floor to discuss the one-time-only programs that have been presented to this Council. He stated that there are two main lines of activity that can be combined into a single motion or separate motions. One-whether or not to continue the funding of the one-time-only programs or two-whether or not to recommend these be placed into the baseline budget, if possible. Otherwise, the floor is open to other suggestions this Council may have.

Senator Schmidt questioned if there will be a request to increase funding for the ICED program? Director Preite stated they are contemplating a 20% increase. The one-time-only funding is a constraint which inhibits our ability to get federal funds, foundation funds, private-sector funds because they always need to know if the programs are going to continue before they will release funds.

Senator Schmidt also asked if the release of grants funds based on the number of employees trained and job creation from the time the grant was awarded is being addressed. Director Preite indicated the Department of Commerce is currently discussing this issue. Poole reported that Watkins & Shepard Trucking, presented earlier, had a baseline number of jobs when they applied to the Department of Commerce. We provided grant funding to them for every employee they hired above the base. In the interim, before they received all the money for training, they laid off employees so their base line number of jobs went down. The current statute allows "net new jobs" only. That is why they are not able to use the additional training funds at this time. When the Legislature takes up the sun-setted programs would be the best time to address the issue that is affecting the trucking company.

Marchi believes that government should be involved in economic development and this move towards placing the programs in the baseline budget is very important. We should be able to count on those dollars on an on-going basis to leverage the money to have a vibrant economy in Montana.

Tuss MOVED to support the continuation of the one-time-only programs and to include them in the base budget of the State of Montana. Senator Schmidt SECONDS the motion. Tuss questioned whether there was a need for the one-time-only programs to include an inflationary adjustment. Chairman Barrett recommends (from a procedural standpoint) to focus on the motion at hand and discuss the inflationary factor afterwards. Chairman Barrett indicated the Administration has taken a general position not to put any one-time-only programs in the base budget at this time until we see how much money is available in October. Tuss AMENDED THE MOTION to include the programs if

they do not become part of the baseline budget so the programs continue as one-time-only programs. Senator Schmidt SECONDS the amended motion. With no opposition from any Council member, the MOTION PASSED UNANIMOUSLY. Chairman Barrett clarified that once something is in the base budget there is a “present-law” adjustment that increases the funding, taking into consideration inflationary factors.

TREASURE COMMUNITIES

Ness reported that during the last meeting the Council requested the Department of Commerce to conduct a survey regarding the Treasure Communities Program. However, the Department received more questions than responses. Ness would like to propose to this Council to defer discussion on this subject until after the next Council meeting to allow Department staff time to conduct a “breakout” session at the next **Montana Economic Developers Association (MEDA)** conference on September 8th & 9th in Billings. Chairman Barrett stated he would like this Council to meet regularly and suggested possibly meeting shortly after the MEDA conference in September. The Council’s consensus was to wait until after the MEDA conference to schedule the next Council meeting.

POSSIBLE 2009 LEGISLATIVE INITIATIVES

Chairman Barrett acknowledged that until revenue estimates are received in October they are unsure about the Administration’s baseline budget however, there are two new initiatives that were discussed with CRDCs and **Local Development Organizations (LDOs)** recently: the Incumbent Worker Training Pilot Program conversion to a permanent program and the Shovel-Ready Sites Program (see discussion below the new industry tax abatement discussion and motion.).

New Industry Property Tax Abatement Improvements

Chairman Barrett indicated other economic programs that may come up during the 2009 Legislature include improving the state-level New Industry Property Tax Abatement. During the last 2 sessions, the Administration and MEDA have tried to accomplish this. Currently this particular abatement cuts the property taxes at the state level and abates all mills for a three (3) year period. It takes the business equipment and real property tax down to 3%. When the business equipment tax was 12% it was an effective program. Now that the tax rate is at 3%, the abatement has become useless. Chairman Barrett asked if this Council would want to recommend modernizing the terminology and updating the kinds of companies that could be subject to the abatement and updating of the percentage break and making it flexible. The revision would state that all property taxes (state, local and schools) would be 1/3 of what they are currently for a three year period.

Smitham wonders how this would work with the **Tax Increment Finance Industrial District (TIFID)** since you can’t have both. Abatements work against the interest of tax increments. The project would have to state “up-front” whether it was using abatements or tax increments. Chairman Barrett stated this administration would not be adverse to language in the bill that says these abatements are not available when the project is located in a tax increment district. Representative Villa stated that within the **Tax Increment Finance (TIF)** statutes there is an assessment agreement provision so if the

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project is located within a TIFID you can enter an agreement ahead of time for the assessment value.

Bailey MOVED to support modernizing the terminology, updating the kinds of companies that could be subject to the abatement and updating of the percentage break and making it flexible as discussed earlier. Atchison SECONDS the motion. With one objection from the Council, the motion passed.

Incumbent Worker Training Pilot Program Conversion

Chairman Barrett stated that previously, this incumbent worker training was funded from various separate programs but the pool of money has been decreasing. The challenge we face is potentially every current employee in Montana could be eligible for these training dollars. During the last session, the Department of Labor, at the Governor's Office of Economic Development's request, provided money for a pilot program (\$250,000 per year) operated out of Billings in a 10 county area and the clients have to employ 20 or fewer employees and they must be a client of the BEAR Program. This Administration has been seriously discussing converting this pilot program and placing it into a permanent program. There is some non-general fund money that can be allocated to this. Barrett indicated that the Administration is inclined to find language that would not restrict participation to allow more flexibility to help a small number of employees with larger businesses while still keeping it mostly to smaller businesses. Chairman Barrett acknowledged that at this point there are no specifics, but if this Council wants to take action it would be on the general issue of do we want to have an incumbent worker program spin out of this pilot and presented to the Legislature but leave some flexibility for negotiation on how to put it together. The possible location of the program has not been determined.

Director Preite acknowledged that he would be opposed to anything that would be detrimental to the Department of Commerce acquiring incumbent training funds. Marchi mentioned that changing the size of the company is also a concern.

Senator Schmidt suggests waiting to make a decision on this program until more information is presented to this Council. Marchi requested examples of how this program is administered in other states. Bailey stated that Snowy Mountain Development Corporation is participating in the pilot project and is very supportive of this program but is hesitant in making a motion today and suggested waiting until the next EDAC meeting. The consensus of the Council was to wait until our next meeting to discuss the issues further. Tuss would like a report outlining the success stories from the Billings area pilot program so this Council has concrete information before making any recommendations. In addition, Chairman Barrett requested a presentation on what has happened in the pilot program at the next meeting, but in the meantime, Chairman Barrett expects a written report from the Billings area that can be distributed to this Council prior to the next meeting.

Shovel Ready Sites

Chairman Barrett reported this program would take minimal costs at the state level because it's more setting of criteria and monitoring the response, getting the certification out and that type of thing for industrial, technology, and business park sites to assist

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with the marketing of those sites through this program. The Shovel Ready Sites program on the Oregon website is a good model in which the state is looking to replicate.

OPEN COUNCIL DISCUSSION

OLD BUSINESS

Tax Increment Financing

Chairman Barrett indicated they expect a bill similar to HB 832 to be introduced in the next Legislative session. Between now and the fall, the working group will ensure all bases are covered. In the meantime, the Department of Revenue has issued mainly procedural rules on this program. Chairman Barrett does not believe any action is necessary at this time. Senator Schmidt asked about the TIF working group. Chairman Barrett reported the group is from around the state (Missoula, Great Falls, Butte, Billings) consisting mainly of practitioners in the field along with attorneys. It includes not just industrial but also the urban renewal side as well. The revisions included simplifying what are now four (4) districts (aerospace, technology, industrial and urban renewal) into two (2) districts (urban renewal and economic development). The working group is planning on meeting in August. Representative Villa asked if, under the new revisions, if flexibility would be built-in for the existing districts. Chairman Barrett believes “grandfathering” the existing districts would be allowed. Smitham represents MEDA in the working group and Chairman Barrett also serves on the working group.

2010 Coalition

Chairman Barrett acknowledged they have a letter from the 2010 Coalition requesting a meeting with the Governor to discuss the sunset programs which are Growth thru Ag, Research & Commercialization, Cooperative Development Center, Foreign Trade Enhancement, SBDC, SBIR, MMEC, and the CRDC Program. The SBDC’s met with Chairman Barrett, Director Preite and Budget Director David Ewer already.

Representative Villa questioned the fact that the SBDC’s met separately with Barrett & David Ewer makes him nervous that one of these entities within the 2010 Coalition wouldn’t be “locked in step” with the Coalition and he hopes that is not the case. It will have to be a joint-effort to get this through the Legislature and a tough battle if everyone isn’t absolutely “walking in-step together” there is a very real risk the program’s do so at their own peril. In his opinion, as we enter into the Legislature, is to proceed together because it is much easier to move one package of good legislation rather than a package with a “break away”. Senator Schmidt concurs with Representative Villa’s comments.

Director Preite stated the Department of Commerce has already sent in their program requests to the Administration. The SBDC Program is a special case where the US Small Business Administration (SBA) wants to claim benefit but does not want to properly fund the program. If a group decides to present a bill that differs from Commerce’s proposal, Director Preite will oppose it.

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Chairman Barrett reiterated that the recommendation from this Council was to remove the sunset entirely and provided for an inflation adjustment that provides the flexibility of allocating the funds in a non-uniform way so that one program may receive more funding than another. The SBDC's are concerned about their program and want to do things differently but we have to find ways to continually make an effective program without being counter productive on all the other programs that are of great importance as well. Chairman Barrett stated that as he talks to Legislators, they do not see a "great appetite" for a permanent statutory appropriation with no sunset and expect that when the bill is introduced it probably will have a sunset date. If that happens, we want to make sure it is long enough to give the programs continuity (at least 10 years). The flexibility of allocating funds should work well because most of the programs are in Commerce except for Growth Thru Agriculture and Montana Manufacturing Center, which are in Agriculture and the University system respectively. Director Preite suggested wording such as "the Department of Commerce would have discretion over the funds allocated to them" and other Department's would have discretion over funds allocated to them. If Council members have any ideas they should contact Chairman Barrett.

Marchi felt the Director of Commerce should have flexibility to direct the funds where they are needed most and is still opposed to removing the sunset because she believes they need to be "retooled" every so often.

Big Sky on the Big Screen Act Revisions

Besty Baumgart, Division Administrator, and Sten Iversen, Program Manager of the Film Office of the Montana Promotions Division, distributed handouts entitled *Big Sky on the Big Screen Act Update* outlining the historical background, current conditions and future scenarios of the program, and the *Montana Film Production Economic Impact Fast Facts* sheet and the *U.S. Domestic Production Incentives Comparison* of all 50 states requested by this Council during the last meeting.

Baumgart reported the Big Sky on the Big Screen Act faces a sunset date of December 31, 2009. She briefed the Council on future scenarios and where Montana would rank with different incentive levels. Currently Montana ranks 32nd compared to other state incentives. Baumgart reported that Montana was "courting" two (2) feature films but lost them to Michigan based on their new incentive of 40% rebate on production company expenditures. While a 40% incentive can hardly be a viable long-term economic development tool, a 25% incentive may be.

Marchi asked what the 30% incentive entails. Baumgart reported it is a 30% refundable tax credit on qualified expenditures and labor to create the film.

Director Preite indicated that even with the current incentives Montana still makes money as referenced in the handout entitled *An Economic Impact Analysis of the Feature Film "A Plumm Summer"* showing the expenditures and spending wages with a total tax credit issued by the Department of Revenue to "A Plumm Summer" of \$127,540.

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Senator Schmidt asked if they want some direction from this Council as a recommendation. Chairman Barrett indicated not at this point, we are just discussing it now because we are trying to better understand the impact. When you look at the whole economic pie, this case is demonstrative that the return is there. However, if you are focused on the state general fund it does work quite the same way because of certain amount of impacts on this are property taxes and other various taxes which don't necessarily come to the state general fund. Chairman Barrett would like the Council members to think about this until the next meeting. Tuss asked Chairman Barrett if the Administration will come up with a proposal to endorse. Chairman Barrett indicated the Administration has not had the opportunity to fully discuss this internally and he would feel comfortable having those discussions first. We are better off approaching these things fully informed. From the Administration's perspective, it is not timely for this Council to make a recommendation yet.

Patent Assistance

Senator Schmidt asked about the Patent Financing discussed during the last meeting. Rudbach distributed a handout entitled *Patent Assistance* which is a "white paper" compiled for a different organization but it outlines the resources needed for a patent assistance program (i.e. seminars and workshops, a Montana Patent Loan Fund, a Montana Patent Exchange and Individual IP and commercialization assistance). The proposal is not a grant but a loan that would eventually be paid back. Currently Montana does not provide any assistance to entrepreneurs' in protecting intellectual property. Chairman Barrett asked this Council to become familiar with this issue and possible sources of money that could be used to fund this. Rudbach requested to have this issue placed on the next agenda for further discussion.

Statewide RLF Website

Atchison brought to the attention of this Council a suggestion from Josh Kellar, RC & D Coordinator, in Bozeman who suggests creating a statewide website for the numerous revolving loan funds. Smitham agrees it would be a great tool for the borrowers and lenders. Chairman Barrett did met with Mr. Kellar previously and they are not asking for money, they just want an avenue to marketing the various revolving loan funds and Chairman Barrett believes this is a legitimate state-level role of the Office of Economic Development or the Department of Commerce. Director Preite thought the CRDC's should be involved in this project. Chairman Barrett requested this item be placed on the next agenda for further discussion.

SBDC Program

Tuss mentioned a concern previously discussed with Chairman Barrett, when he was touring Montana, regarding the continued presence of the SBDC sub-centers in the rural areas. The SBDC practitioner's have been discussing the potential of no longer servicing the areas in rural Montana or reducing the services to the smaller sub-centers such as Colstrip, Wolf Point, Havre, and Butte. Tuss is uncertain whether this Council needs to take action on this issue.

Chairman Barrett stated this has been an area of concern relative to the separation of the SBDC network and the 2010 Coalition. He stated that not servicing the rural area is not an option under this Administration and a "cannibalization" of the SBDC program to

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the detriment of smaller rural areas will not be supported by this Administration. They believe it is a much better approach to try to find more money rather than to “cannibalize” the program. Some argue that the SBDC’s services are needed more “outside the boot” than “inside the boot” and maybe the bigger cities/towns don’t need it as much as the smaller cities/towns. Director Preite also stated the Department of Commerce would not support such an effort either. Part of this is driven by SBA. Chairman Barrett & Director Preite plan to meet with SBA regarding this issue.

Smitham requested that when they do meet with SBA could they reiterate the burden of the reporting that is non-productive and consumes more than 50% of the SBDC counselor’s time. Chairman Barrett did request an analysis of what paperwork is required by the SBA and what is required by the state under statute. They found out that quite a few of the requirements that are being requested are not requested by either party but rather by the national SBDC Association which SBA has delegated as best practices.

Poole feels it would be valuable to this Council to discuss this further at the next meeting because there are a lot of misconceptions about how the program works and where the requirements come from which could be cleared up in a factual discussion between this Council and Program staff. The Council concurred with placing this issue on the next agenda.

Montana’s Brucellosis Issue

Representative Villa asked that the Department of Commerce and the Department of Labor also need to recognize the significant contribution of the Department of Agriculture to the State of Montana’s economy. With that said, we are losing our brucellosis free status which is a huge issue all across Montana. He believes we need to look at this from not only an agricultural standpoint but from an economic standpoint and get involved to reach a consensus or solution to protect Montana cattle and our ranching industry from brucellosis. He suggested that this issue also be placed on the upcoming agenda and see if Agriculture Director Ron deYong could present to this Council and possibly build bridges under the Growth Thru Ag issue as well.

Chairman Barrett stated this is an issue of jurisdiction within the Department of Livestock not Agriculture. The Department of Livestock is not headed by a Director who reports to the Governor but has as “director” the Board of Livestock. This Council could request the Executive Officer of the Livestock Board to make a presentation to this Council at the next meeting. Representative Villa will discuss this further with Chairman Barrett after the meeting to determine if it should be placed on the agenda.

NEW BUSINESS

Chairman Barrett stated the work this Council does is important and we will continue to meet on a regular basis.

PUBLIC COMMENT

Chairman Barrett invited any member of the public to speak about any agenda item discussed today. No public comment was offered.

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COUNCIL RECOGNITION

Chairman Barrett and Director Preite presented plaques to each Council member thanking them for their service on the Economic Development Advisory Council.

Janice Wannebo, MicroBusiness Finance Program Specialist, also mentioned that the 2007 MicroBusiness of the Year award ceremony was scheduled to take place during this meeting but due to a conflict with the Lieutenant Governor's schedule and another conflict with Beth & Ken Vogel, who are the recipients of the MicroBusiness of the Year award, the ceremony was postponed. The Department of Commerce will attempt to schedule this for the next meeting. Twitchell nominated the business which was started several years ago by Ken's father who manufactured small and large trailers selling them across the U.S. Beth & Ken bought the business from his father and have expanded the business by working with the SBDC loan officer and marketing efforts.

NEXT MEETING

Chairman Barrett would like to target mid-to-late September 2008. Janice Wannebo, Administrative Support to this Council, will contact members to determine the best date to ensure a quorum.

ADJOURNMENT

Chairman Barrett recognized Steve Barrett, Chairman of the Montana Board of Regents, who had entered the room. Chairman Barrett indicated that everyone understands the importance of education at all levels is to economic development and so our partnership with the Board of Regents is a critical partnership to furthering Montana's economic growth.

Chairman Barrett adjourned the meeting at 3:08 p.m.



Respectfully Submitted